DRN-4795727

The complaint

Ms H's complaint is about her mortgage account with Bank of Scotland plc trading as Halifax. Ms H says:

- She was mis-sold a three-year fixed rate product in 2020, when she should have been sold a five-year fixed rate product.
- Even though she only had four years ten months left on the mortgage, Halifax should have extended the term so she could have had a five-year product.
- The call with the advisor who arranged the new product in 2020 was stressful, because of language difficulties and repetition of questions.
- When the three-year fixed rate came to an end in July 2023 Halifax would not offer her a new interest rate product.
- Because of delays and difficulties with the format in which Halifax sent the 2020 call recording, Ms H feels she could not pay off her mortgage sooner.

In order to settle the complaint, Ms H wants to be able to repay the mortgage. Before doing so, Ms H would like Halifax to refund the additional interest she's paid after the three-year rate expired and moved onto a follow-on rate, rather than being on a five-year fixed rate product.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, our decisions are published, so it's important I don't include any information that might lead to Ms H being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Briefly, Ms H has an interest-only mortgage with Halifax on which she owes approximately £326,000. In April 2020 her interest rate product was coming to an end. At that point, the mortgage had four years ten months left to run, and so the mortgage term is due to end in about February 2025.

On 17 April 2020 Ms H had a telephone interview with Halifax when she confirmed that she *"had done a little bit of homework"* and had decided she wanted a three-year interest rate product.

Ms H also confirmed that she would be repaying the mortgage at the end of the three years, that she needed to stay on interest-only due to having limited income, but that she was hoping to come into some money in the near future.

Following the conversation with Halifax, Ms H took out a three-year fixed-rate product at a rate of 2.16% which started on 1 May 2020 and which would end on 31 July 2023, following which it would revert to Halifax's lender variable rate (LVR). The monthly repayment while the mortgage was on the fixed rate was approximately £588.

Ms H took a Covid-19 payment deferral for April, May and June 2020, but thereafter made no payments to the mortgage until May 2022. Credits accrued on the mortgage account were used to fund the monthly repayments until the credits were exhausted, following which the mortgage fell into arrears.

In August 2023 Ms H raised a complaint with Halifax. She was unhappy to have been told by Halifax that her fixed rate product was due to come to an end on 31 July 2023 and that her mortgage payments would increase from that date when the mortgage went onto LVR.

In its final response letter dated 31 August 2023 Halifax explained that it wasn't upholding the complaint. Halifax was satisfied that Ms H had confirmed in April 2020 that she'd wanted a three-year fixed rate. Halifax noted that Ms H had told the bank during that call that she intended either to pay off the balance or sell the property in three years' time.

Halifax explained that it was unable to change the term of the mortgage, as there was no repayment vehicle, and that it wasn't its policy to extend a mortgage term in order to facilitate a new interest rate product.

Halifax also explained how the account balance had been affected by a remediation exercise in 2011, by payment holidays and by credits to the account made by the Department of Work and Pensions.

Halifax sent the call recording to Ms H, but unfortunately she had technical difficulties accessing it. Ms H said that the inability to listen to the call prevented her from repaying the mortgage. Ms H's family paid off the mortgage arrears, and Ms H told Halifax she would make payments at the level of the fixed rate payments (approximately £585 per month).

Ms H told Halifax that *"if a 'Goodwill Gesture' could be made to resolve the issue in its entirety by crediting back the additional increased part of the interest debited to my mortgage account from the time I contacted Halifax in July 2023, I would then be able to pay off the amended mortgage balance in full…"*.

After listening to the call recording, Ms H told Halifax she intended to *"strongly refute its contents"*.

As the complaint had reached a stalemate, Ms H referred it to our service. Ms H said that there was a language barrier which hindered the advisor's ability to understand her. Ms H said that she'd offered to pay off the mortgage in full if Halifax removed the inflated variable interest incurred since July 2023, but the bank had rejected this offer.

An Investigator looked at what had happened but didn't recommend the complaint should be upheld. After listening to the call, the Investigator was satisfied that Ms H had asked for a three-year rate.

The Investigator found no language barrier and that the advisor provided clear information when discussing the mortgage, and checked Ms H's understanding at various stages. This included confirmation that, at the end of the three-year term the monthly repayments would increase.

In addition, because there was less than five years remaining on the mortgage, the advisor could not have recommended a five-year fixed rate product (as Ms H was alleging he should have done), because this would have been longer than the remaining mortgage term.

Whilst noting the technical problems Ms H had had accessing the call recording, the Investigator wasn't persuaded that this prevented Ms H from redeeming the mortgage in full (as Ms H had said she wanted to do).

Overall, the Investigator was unable to find Halifax had done anything wrong and so didn't recommend he complaint should be upheld.

Ms H disagreed with the Investigator's findings and asked for an Ombudsman to review the complaint.

Ms H reiterated the points she'd previously made – that it was never explained to her that the interest rate product would end in July 2023, or that the mortgage term only had four years ten months left to run.

Ms H also provided a copy of a decision I wrote in which I explained that the Financial Conduct Authority (FCA) had directed mortgage lenders to extend expired interest-only mortgages to 31 October 2021, due to the Pandemic. Ms H argued that this applied to her, but Halifax had never offered her a term extension.

Ms H said that she'd been invoiced £100 by an IT expert who'd tried to help her access the call recording, and, despite Halifax promising to reimburse this, it hadn't done so.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've listened to the recording of the call between Ms H and the advisor which took place on 17 April 2020. I've found no language barrier during the call. Both Ms H and the advisor are fluent English speakers, and at no point did Ms H ever say that she didn't understand the advisor, or vice versa.

In addition, although Ms H told Halifax she intended to refute the contents of the call recording, she has not said why, or what in the call recording she considers to be incorrect or inaccurate. But I'm satisfied that I can take its contents as an accurate, contemporaneous record of the conversation that took place between Ms H and the advisor.

I'm satisfied Ms H was adamant that she wanted a three-year fixed rate, and that her plan was to pay off the mortgage at the end of the three-year period. I'm also satisfied that the discussion and the documentation Ms H received from Halifax confirmed that the interest rate product Ms H had chosen would end on 31 July 2023, and that she had only four years ten months remaining on the mortgage term.

It would not have been appropriate for Halifax to have suggested a five-year fixed rate would have been more suitable for Ms H, because this would have extended beyond the end date of the mortgage. Where there is no repayment vehicle (for example, an endowment policy, investments or savings), Halifax isn't able to extend the term for an interest-only mortgage.

Halifax is entitled to set its own lending criteria, including its risk exposure in relation to interest-only mortgages. Its policy is in line with that of other lenders, and it's not unreasonable, where there is no separate repayment vehicle, for Halifax to expect the mortgage to be repaid at the end of the contractual term.

But even if a five-year fixed rate had been available (and, to be clear, it was not), this wouldn't have been a suitable recommendation. That's because Ms H was quite clear – indeed emphatic – that she intended to sell the property in three years' time. Therefore, it wouldn't have been appropriate to have tied her into a five-year product with an early repayment charge if her intention was to redeem the mortgage in three years.

Overall, I'm not persuaded that the recommendation for the three-year fixed rate, based on what Ms H had told Halifax about her circumstances, wishes and needs, was unsuitable. Furthermore five-year fixed rate wasn't available to Ms H, because the remaining mortgage term was only four years ten months.

I've noted the decision Ms H sent in which I said that the FCA had told mortgage lenders to extend expired interest-only mortgages to 31 October 2021. That is of no relevance to this complaint. That is because, although the interest-rate product attached to Ms H's mortgage loan expired on 31 July 2023, the actual interest-only mortgage term on the mortgage doesn't expire until February 2025. Therefore Ms H's mortgage term didn't expire during the Pandemic.

Halifax has clarified how credits from remediation and from the DWP were applied to the mortgage account. Those credits have since been exhausted during the period when Ms H wasn't able to make any repayments during the period July 2020 to May 2022 (the period April-June 2020 being covered by a Covid-19 payment deferral).

Once the interest rate product expired on 31 July 2023, Ms H was thereafter required to make repayments at Halifax's LVR. It was her decision not to do this; instead she chose to make payments at the level of her previous payments that had applied when the three-year fixed rate was in place. I'm not persuaded, given that Ms H was aware that the interest rate product expired on 31 July 2023, that this was a reasonable stance for her to take.

Halifax isn't required to reimburse any interest charged to the mortgage from 1 August 2023 at the difference between its LVR and the fixed rate which expired on 31 July 2023. That's because the LVR is the correct interest rate applied to the account.

It's unfortunate that Ms H had difficulty accessing the call recording. I see that Halifax said on 23 November 2023 that, on proof of payment, it would reimburse the £100 Ms H said she'd had to pay an IT expert to help her. If Ms H is able to provide Halifax with the expert's invoice and evidence (such as a bank or credit card statement) that she has paid this, then I'm satisfied Halifax should honour its promise to reimburse her.

I'm not persuaded that delay in Ms H being able to access the call recording has prevented her from repaying the mortgage in full, as she said she'd intended to do. Ms H could have repaid this at any time after 31 July 2023 without any early repayment charge. If Ms H has chosen not to do this, that is her choice.

Likewise, there is no basis on which I can fairly or reasonably order Halifax to reimburse any interest charged on the mortgage at LVR from 1 August 2023 onwards. This is the contractual rate to which Ms H agreed when she took out the product transfer. I'm satisfied, from the call recording and the product documentation, that Ms H knew the mortgage would revert to LVR once the three-year fixed rate expired.

If Ms H has chosen instead to continue paying only the amount she'd been paying when she was on the fixed rate, that, of course, has implications in relation to the accrual of arrears and the potential impact on her credit file. I can't hold Halifax responsible for the consequences of that choice.

I'm satisfied Halifax explained in its final response letter how credits to the account from remediation and DWP payments were applied to the account. We don't provide an account auditing service but the information provided appears to be an accurate reflection of what's happened on the account.

Overall, I'm unable to find Halifax has done anything wrong. No five-year product was available in April 2020. Halifax wasn't under any obligation to offer a term extension so that Ms H could have had a five-year product, because this was outside its lending criteria and interest-only policy. In addition, Ms H was adamant that she was intending to sell the property once the three-year fixed-rate period was up. I'm satisfied Ms H was aware of the length of the interest rate product and the mortgage term, and so I'm unable to find Halifax to be at fault in relation to the arrangement of the three-year fixed rate product. In addition, Halifax sent the call recording in different formats, and so I don't think Halifax is required to do anything further, other than reimburse Ms H for the IT expert, if she's able to provide evidence of payment of the expert's invoice.

I appreciate Ms H has been through a difficult time, and I don't underestimate her strength of feeling about this matter. But on consideration of all the evidence, I'm unable to find Halifax has done anything wrong.

If Ms H is experiencing financial difficulty, she might find it helpful to speak to one of the free debt advisory services, such as Citizens Advice, StepChange or Shelter. We can provide her with details of those agencies, if she'd like us to.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 27 June 2024.
Jan O'Leary
Ombudsman